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FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1037
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY
RUEHOO/CHINA POSTS COLLECTIVE PRIORITY
RUEHBY/AMEMBASSY CANBERRA PRIORITY 3436
RUEHLM/AMEMBASSY COLOMBO PRIORITY 1522
RUEHKA/AMEMBASSY DHAKA PRIORITY 1509
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 2531
RUEHUL/AMEMBASSY SEOUL PRIORITY 5255
RUEHKO/AMEMBASSY TOKYO PRIORITY 2876
RUEHWL/AMEMBASSY WELLINGTON PRIORITY 3356
RUEHHK/AMCONSUL HONG KONG 3184
RUEHBA/AMCONSUL PERTH 1357
RUEAIIA/CIA WASHDC
RHEHNSC/NSC WASHDC
RHEFDIA/DIA WASHINGTON DC
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C O N F I D E N T I A L SECTION 01 OF 03 JAKARTA 002307

SIPDIS

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TAGS: [PREL](#) [MARR](#) [ECON](#) [PINR](#) [ID](#) [CH](#)

SUBJECT: (C-AL8-02576) INDONESIAN REACTION TO THE RISE OF
CHINA

REF: A. STATE 126002

[1](#)B. JAKARTA 2197

[1](#)C. JAKARTA 60

[1](#)D. JAKARTA 1898

[1](#)E. 07 JAKARTA 3439

Classified By: Ambassador Cameron R. Hume, reasons 1.4(b+d).

[1](#)1. (U) INTRODUCTION AND SUMMARY: This message responds to questions in ref A. We have tried to avoid repeating material presented in previous Jakarta reports on China and refer analysts to refs D and E as well.

[1](#)2. (C) Indonesians are impressed by China's rise, especially as an economic giant, but ambivalent about the implications of that rise. Senior Indonesian officials want to use regional architecture to maintain a balance in the face of China's growing political and military influence, and want the U.S., India, Japan and other key countries to deepen engagement with those institutions. Meanwhile, Indonesians seek to engage the Chinese on the economic front. Chinese economic influence is most notable in the energy and mining sectors. END INTRODUCTION AND SUMMARY.

PUBLIC IMPRESSIONS

[1](#)3. (C) Indonesian leaders are aware of China's growing power and influence, and generally treat China in a constructive light in public statements. During a visit to Beijing in 2007, Vice President Kalla noted how China's emphasis on economic growth at the expense of individual freedoms contrasted with the lower productivity of Indonesia's sprawling democracy. Kalla, who has repeatedly cited this contrast, has remarked on the irony that U.S. investors in the end choose an authoritarian China over a democratic Indonesia.

[1](#)4. (C) Public opinion plays a small role in shaping Indonesian perceptions of China. Chinese (as well as Taiwanese) broadcasts are available through most television programming sources, but these are mostly new channels and have a low profile. Perceptions are shaped more by events

like China's impressive economic growth, the Olympics and the recent space launch, which netted positive coverage. That said, recent stories of contaminated milk and other reports of corruption have cast a more negative slant.

15. (C) Ordinary Indonesian give relatively little special interest to China, but a considerable amount of attention, sometimes negative, to the small but influential community of ethnic Chinese, who are very active in business and the arts.

Ethnic Chinese are sometimes resented for their relative wealth and they live with a bit of concern about their acceptance by their neighbors. Another division that sparks tension is the fact that ethnic Chinese are mostly Christian while the country is predominantly Muslim. That said, Indonesians do not generally see ethnic Chinese as some sort of fifth column working for Beijing's interests, which was a widespread perception during the Cold War.

POLITICAL AND SECURITY COOPERATION

16. (C) Indonesian officials and observers uniformly expect China's political influence to grow relative to Indonesia's, which is increasing but at a considerably slower pace. Defense Minister Sudarsono characterizes China as wanting to play "a more determining role" in the region, particularly in Northeast Asia.

17. (C) Given these concerns, Indonesian officials want to offset China's growing power in the region. In discussions with Ambassador Hume, FM Wirajuda has bluntly characterized

JAKARTA 00002307 002 OF 003

China's ambitions and growing influence as "aggressive" (ref C). Senior experts at Jakarta's Center for Strategic and International Studies report being shocked at the "triumphalism" of the Chinese hosts at recent conferences in Beijing and Shanghai on regional issues.

18. (C) Indonesian officials seek to integrate China into regional structures, first and foremost ASEAN and its various extensions in order to ensure "balanced" relationships (ref B). Officials also rely heavily on the expectation that the United States will remain engaged in the region as the primary counterweight to China strategically. Indonesia also sees Vietnam, Japan and India as playing a balancing role vis-a-vis Chinese influence. Indonesia realizes that it lacks the military, economic and the political power to challenge China on its own. Indonesia entered into a "strategic partnership" with China in 2005, one of the first such Indonesian partnerships. One reason, we believe, that President Yudhoyono recently proposed a strategic partnership with the United States was to keep the U.S. engaged in the region in order to balance China's influence.

19. (C) Mission does not believe China influences the GOI with the limited supply of military equipment that China currently provides. Indonesia and China on November 24, 2008, postponed a program for the co-production of military equipment due to the global financial crisis. The postponement was announced during Chinese Gen. Chi Wanchung's visit to Jakarta. The joint production was to occur in Indonesia using Chinese technology and funding. The decision to postpone the program was driven primarily by Chinese economic considerations, according to Indonesian Defense Minister Sudarsono.

ECONOMIC COOPERATION

10. (C) Indonesians want to engage China on the economic side. In the energy sector, business groups, individual business and mine operators, and public officials encourage Chinese participation. Some of the influence is passive. Policymakers' confidence that Chinese businesses will be willing to invest in the energy and extractive industries sectors enables them to avoid reforms in those sectors. Chinese state-owned electricity companies recently contracted

to build virtually all of the 35 new electricity generation plants called for under Phase I of the government's 10,000 MW crash program. In addition to concessionary financing by the Chinese government, the projects also received a sovereign guarantee from the Indonesian government. This Jakarta decision showed real favoritism toward these Chinese investments, since Indonesia has refused to provide this guarantee for other energy projects. On a recent state visit to China, Yudhoyono was reported to have asked President Hu Jintao to build and finance Phase II of Indonesia's electricity expansion program, which entails 70% geothermal and renewable energies.

¶11. (C) In other economic areas, however, there have been some disputes. State-owned, domestic flag-carrier Merpati airlines signed a \$225M deal to buy 15 Chinese-made passenger planes (Xinzhou-60) in 2006 with loan assistance from China's ExIm Bank. The deal is now in dispute, with Indonesia and Merpati officials seeking to renegotiate the contract and delay orders. The state-owned China Aviation Industry Corp. already provided training (pilot, mechanic, etc) and delivered two planes to Merpati which China claims have not been paid for. The dispute could escalate and affect other bilateral assistance and trade.

¶12. (C) On the satellite/telcom front, China has tried to make inroads but has not been successful, mainly because their products are not yet competitive. China is not a

JAKARTA 00002307 003 OF 003

player in the Indonesian commercial satellite sector. However, there is an active proposal to use a Chinese "Long March" launch vehicle to send up a future commercial satellite.

HUME